

BETTY T. YEE, BOARD MEMBER STATE BOARD OF EQUALIZATION

Serving the 8.5 million Californians of the First Equalization District, comprised of 21 counties along the northern and central California coast, including the entire San Francisco Bay Area.

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MONTHLY NEWSLETTER

TAX FILING SEASON IS HERE...WELL, ALMOST!

In an effort to avoid the “fiscal cliff,” Congress passed and President Obama signed into law, The American Taxpayer Relief Act of 2012 (ATRA). Because this law was signed in January, there is a delay in the Internal Revenue Service (IRS) opening of the 2013 filing season. The IRS will open the 2013 filing season and begin processing individual federal income tax returns on January 30, 2013. Visit the [IRS website](#) for additional information.

Although the Franchise Tax Board (FTB) currently is accepting individual California income tax returns, the publication of tax booklets like California Schedule CA and other products that reference the federal Schedule A is delayed until the FTB can analyze the changes made by the ATRA. Check [FTB's website](#) for updates about when these schedules will be released. It is important to note taxpayers who file their returns using FTB's CalFile, ReadyReturn, or Form 540 2EZ are not affected by this delay.

For the 2012 Tax Year

Taxpayers should be aware of the following state tax provisions affecting the 2012 tax year:

Standard Deduction

Do you claim the standard deduction? The standard deduction for single or filing separately tax statuses increased from \$3,769 to \$3,841. For joint, surviving spouse, or head of household filers, it increased from \$7,538 to \$7,682.

Exemption Credit Increases

Do you have dependents? The dependent exemption credit increased from \$315 to \$321 per dependent. The personal exemption amount for single, filing separately, and head of household filers increased from \$102 to \$104. For joint or surviving spouses, it increased from \$204 to \$208.

Tax Rates Increase for Certain Filers

Did you earn more than \$250,000 in calendar year 2012? For individuals making \$250,000 or more, income tax rates increased by up to 3 percent. The income tax changes apply retroactively to all income earned or received since January 1, 2012. The law waives the underpayment of estimated tax penalty that results from a retroactive tax law change that takes place during the year.

Small Business Employers

The [New Jobs Tax Credit](#) provides a credit of up to \$3,000 for each added qualified full-time employee hired by a qualified small business employer. Funding is limited to \$400 million. As of January 1st, \$262 million remains available. The credit must be claimed on a timely-filed original (not amended) 2012 return received before the \$400 million limit is exhausted.

For more information on other state income tax provisions, visit the [California Tax Service Center](#).

ATTENTION

Federal Refunds Available for Low-Income Families and Individuals:

The federal [Earned Income Tax Credit](#) (EITC) is an incentive for low-income individuals and families. Taxpayers earning less than \$50,270 can qualify for a refundable credit that can total up to \$5,891. “Refundable” means that taxpayers do not have to have a tax liability to get a refund check from the government. To see if you qualify, visit the [IRS website](#) and search for EITC Assistant. California has no comparable state credit.

Stay tuned for additional updates about other deductions, credits, and filing issues.



To learn more about services provided by the State Board of Equalization, please call my office or visit my web site at:
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HIGHLIGHTS OF THE GOVERNOR'S PROPOSED 2013-14 STATE BUDGET



On January 10th, Governor Brown released his proposed 2013-14 spending plan that projects a balanced budget for the upcoming fiscal year. Main highlights include:

- Increased funding levels — a total of \$56.2 billion — for K-12 schools and higher education; and
- Expansion of Medi-Cal, the state's health care program for low-income families, as part of the state's implementation of the federal Affordable Care Act (health care reform).

The Governor's proposed budget includes almost \$6 billion for 2013-14 in new revenues resulting from voter approval of Proposition 30 and Proposition 39 in November 2012.

Proposition 30 imposes three new tax rates on very-high-income Californians and increases the state's sales tax rate by one-quarter cent on a temporary basis. The higher income tax rates apply effective 2012 through 2018; the higher sales tax rate applies effective 2013 through 2016.

Proposition 39 requires multistate corporations to use the "single sales factor" method of apportionment in calculating their taxable income. The revenue from this tax law change funds green projects that create energy efficiency and clean energy jobs.

Year After Year of Cuts

Over the past several years during the economic recession, social services, child care and development programs, health care for the poor, and public K-12 and higher education took severe cuts in order to help close California's budget shortfalls. These cuts included:

- Reducing the amount of time adults could spend on the state's welfare-to-work program California Work Opportunity and Responsibility to Kids (CalWORKs) from four years to two years.
- Eliminating the Healthy Families program.
- Lowering reimbursement rates for providers in the In-Home Support Services (IHSS) program.
- Cutting spending for education by 16.4 percent --- from \$56.6 billion to \$47.3 billion between 2007-08 and 2011-12 --- resulting in many K-12 school districts reducing their days of instruction, eliminating programs, and laying off teachers while community colleges reduced enrollment and increased fees.
- Reducing spending for the California State University and the University of California by a total of \$638 million and \$613 million, respectively, resulting in enrollment cuts and tuition hikes.

Relief for Slashed Programs

The Governor's proposed budget maintains last year's funding levels for two areas of the budget that have been subject to deep spending cuts in recent years:

CalWORKs: increases state support by \$142.8 million for CalWORKs to assist counties as they implement significant programmatic changes adopted in 2012.

Child Care & Development Programs:

maintains the current level of funding IHSS Program increases funding by 6.5 percent over the 2012-13 budgeted level

Medi-Cal: calls for the expansion of Medi-Cal, the state's health care program for low-income families.

Fiscal Discipline

The proposed budget pays down \$4.2 billion in budget-related debt and includes a \$1 billion reserve.

Funding for Education: Highlights

Although Proposition 98 guarantees a minimum level of funding for K-12 schools, community colleges, and the state preschool program, spending has been severely reduced since 2007.

The proposed budget assumes a total 2013-14 Proposition 98 funding level of \$56.2 billion, a \$2.7 billion increase over the revised 2012-13 Proposition 98 funding level. Because increases in state General Fund revenues tend to boost the Proposition 98 guarantee, Proposition 30 boosts the state's minimum funding obligation for schools and community colleges. Additionally, the proposed budget includes directing some of the Proposition 39 revenue to school districts and community college districts for green energy-related projects.

K-12

Provides \$1.8 billion in 2013-14 to partially restore previously deferred revenue limit payments to school districts and county offices of education, reducing the state's payment deferrals to K-12 education to \$5.6 billion.

California Community Colleges

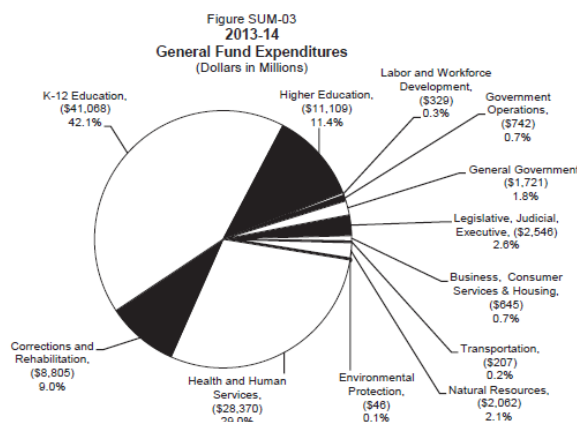
Provides \$300 million to create a new adult education block grant program within the community colleges; and shifts \$15.7 million and responsibility for the Apprenticeship Program from school districts to community colleges.

University of California and California State University

Provides funds to the UC and CSU to expand undergraduates' access to high-demand, foundational courses through the use of technology; and includes in the annual UC and CSU funding increases, an additional \$10 million for each to be used for this purpose.

California Student Aid Commission

Shifts an additional \$139.2 million in federal Temporary Assistance to Needy Families (TANF) funds to support Cal Grants, which would result in an equivalent amount of General Fund savings, thereby increasing the total amount of TANF dollars spent on the Cal Grant program to \$942.9 million in 2013-14.

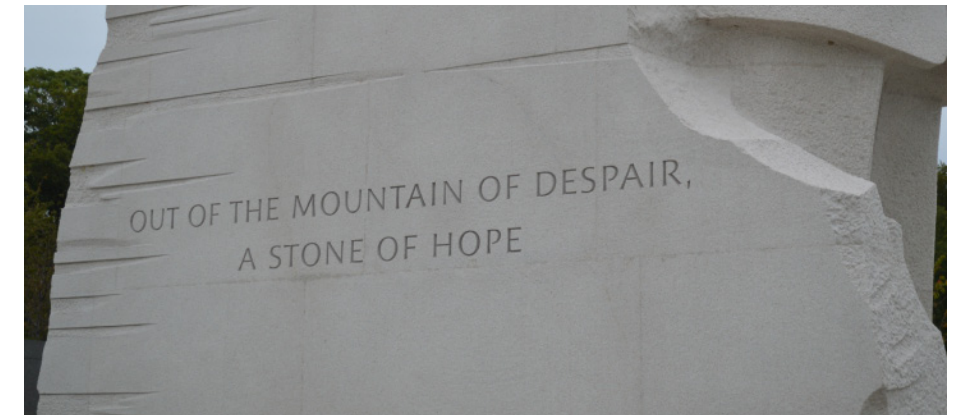


CELEBRATING THE LIFE OF DR. MARTIN LUTHER KING, JR.

Dr. Martin Luther King, Jr. is especially remembered every January in the United States as a fearless champion of social justice and racial equality. Few leaders have had such a profound impact on the course of American history. Dr. King once said, "Life's most persistent and urgent question is: 'What are you doing for others?'"

In that spirit, all of us must ask ourselves how we can live by his example to tackle the biggest issue of our time – poverty. Poverty creates economic divisions that lead to social divisions, undermining the values and strengths and potential that a diverse, inclusive society offers.

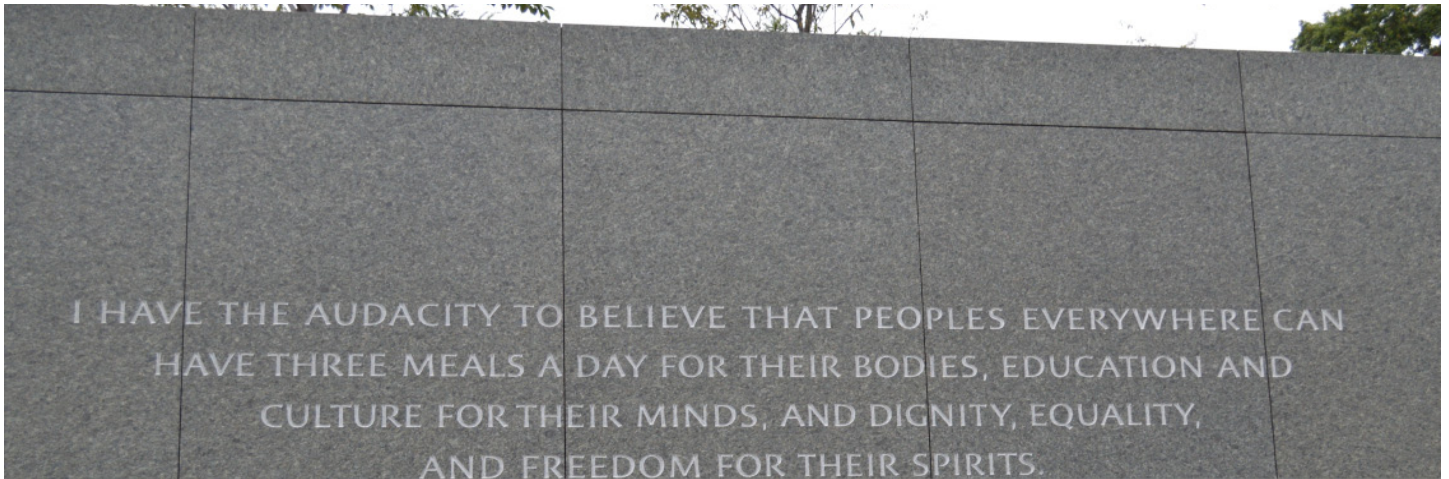
This January of 2013, Dr. King's work is particularly poignant. As we remember the Montgomery bus boycott, the March on Washington for jobs and freedom, and the Memphis strike by sanitation workers,



we necessarily focus on the struggles that continue today for working and poor families and individuals... And we are reminded of Dr. King's non-violence ways to protesting the ills of society amidst the recent memories of gun violence that have made our streets,

our schools, and our children unsafe.

What are we doing for others? Perhaps the most fitting way to honor the late Dr. Martin Luther King, Jr. is for us to recommit ourselves to not be indifferent...and to do what we can to instill hope in others.



GETTING YOUR RECORDS READY FOR TAX SEASON

"Before anything else, preparation is the key to success." Alexander Graham Bell



Monday, April 15 is the deadline for filing state and federal tax returns. Although mid-April seems far away, waiting until then to organize your paperwork can be risky and stress-inducing. Preparing your taxes at the last minute often results in inaccurate returns, potentially resulting in your having to amend your returns after filing. This may result in losing deductions to which you are entitled or discovering you owe more tax ... plus interest.

Look for Your Tax Statements This Month

Sort your mail carefully at home. By January 31st, you should receive your W-2 statement from your employer. This shows the wage income and federal/state tax withheld. If you itemize your deductions on your federal income tax return, look for Form 1099-G from the Franchise Tax Board. This shows the amount of California Personal Income Tax Refund, Credit, or Offset you received for a specific tax year. If you did not itemize deductions, please disregard Form 1099-G.

Depending on your specific situation, there may be other tax statements arriving this month, such as those reporting interest

earned on bank accounts. However, the W-2 statement from your employer and the State Form 1099-G are the main ones.

Keep Your Records After Filing Your Returns

Keep copies of tax returns for at least four years, along with substantiation of any credits and deductions claimed and copies of W-2 statements and similar forms. Keep records of the cost basis for mutual funds, stocks, and real property until you dispose of them. The same applies for records of improvements to your home and records of improvements, depreciation schedules, repairs, and rents on investment property.